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FOLLOWING CANBERRA 5991 SENT ACTION SECSTATE INFO BRISBANE
LONDON MELBOURNE PARIS PERTH SYDNEY TOKYO VIENNA ERDA HQ
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QUOTE

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TAGS: EMIN, ENRG, AS

SUBJECT: GOA ANNOUNCES DECISION TO MINE AND EXPORT URANIUM

REF: (A) CANBERRA 05872 (NOTAL), (B) CANBERRA 04791 (NOTAL),
(C) CANBERRA 03763 (NOTAL, (D) CANBERRA A-122,
(E) 76 CANBERRA 07936, (F) CANBERRA 07888 (NOTAL,
(G) 76 CANBERRA 07843 (NOTAL)

1. BEGIN SUMMARY: PRIME MINISTER ANNOUNCED AUGUST 25 GOA DECISION TO
PROCEED WITH MINING AND EXPORT OF URANIUM. PRIME MINISTER'S
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ANNOUNCEMENT CAME IN FIRST AND LEADOFF STATEMENT OF CAREFULLY
ORCHESTRATED SERIES OF SIX DETAILED MINISTERIAL STATEMENTS
IN PARLIAMENT ON VARIOUS ASPECTS OF DECISION. PRIME MINISTER
EMPHASIZED GOVERNMENT'S DECISION INCLUDES ACCEPTANCE OF
VIRTUALLY ALL STEPS RECOMMENDED BY FOX COMMISSION (RANGER
INQUIRY) TO BE TAKEN IN EVENT OF DECISION TO PROCEED. END SUMMARY.

2. PRIME MINISTER'S STATEMENT STRONGLY EMPHASIZED THREE CONSIDERATIONS AS PRIMARY REASONS SUPPORTING DESIRABILITY OF PROCEEDING: (1) AUSTRALIA HAS OBLIGATION TO MEET PRESSING ENERGY REQUIREMENTS OF OTHER COUNTRIES, (2) BY ACCEPTING ROLE AS MAJOR URANIUM EXPORTER AUSTRALIA WILL MAXIMIZE ITS VOICE IN INTERNATIONAL EFFORT TO DEVELOP AND IMPLEMENT BEST POSSIBLE SYSTEM OF SAFEGUARDS (IN THIS CONNECTION HE EMPHASIZED AUSTRALIA'S ACCEPTANCE OF INVITATION TO PARTICIPATE IN INTERNATIONAL NUCLEAR FUEL CYCLE STUDY), (3) AUSTRALIAN SUPPLY OF URANIUM TO MEET WORLD NEEDS WOULD SLOW MOVEMENT TO REPROCESSING AND INCREASE PROBLEM OF PLUTONIUM. HE ALSO EMPHASIZED THAT THE ECONOMIC BENEFITS WHICH AUSTRALIA WOULD RECEIVE FROM DEVELOPMENT OF URANIUM, WHILE SUBSTANTIAL, WERE NOT A MAJOR OR PRIMARY CONSIDERATION IN THIS DECISION.

3. OTHER IMPORTANT POINTS OF INTERNATIONAL SIGNIFICANCE EMERGING FROM OPENING STATEMENTS BY PRIME MINISTER, MINISTER FOR NATIONAL RESOURCES ANTHONY, AND ACTING FOREIGN AFFAIRS MINISTER SINCLAIR WERE AS FOLLOWS (A) THE ISSUE OF DEQUENTIAL DEVELOPMENT - THE GOA IS SATISFIED THAT DIFFERING SCHEDULES OF INDIVIDUAL PROJECTS IN MEETING VARIOUS PRECONDITIONS AND RIGID REQUIREMENTS TO PROCEED WILL AUTOMATICALLY RESULT IN APPROPRIATE SEQUENCE. ACCORDINGLY NO NEED FOR GOA TO PRESCJPBE TIMING OR DEQUENCE. (B) SAFEGUARDS - PRIME MINISTER AND SINCLAIR REVIEWED EXISTING SAFEGUARDS ARRANGEMENTS, PAST AUSTRALIAN POSITION, AND AUSTRALIAN LIMITED OFFICIAL USE

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INTENTION TO REINFORCE IAEA SAFEGUARDS WITH BILATERAL AGREEMENTS, WHILE WORKING INTERNATIONALLY FOR MAXIMUM FURTHER TIGHTENING OF MULTILATERAL SYSTEM OF SAFEGUARDS. (C) MACHINERY FOR ADMINISTRATION OF DEVELOPMENT - NATIONAL RESOURCES MINISTER ANTHONY OUTLINED ELABORATE STRUCTURE OF NEW INSTITUTIONS DESIGNED TO IMPLEMENT VARIOUS ASPECTS OF GOVERNMENT'S PROGRAMS AND SAFEGUARDS. INSTITUTION OF PRINCIPAL IMPORTANCE FROM U.S. STANDPOINT IS CONTEMPLATED "URANIUM MARKETING AUTHORITY OR SIMILAR INSTITUTION" TO ACHIEVE THE OBJECTIVE OF ORDERLY DEVELOPMENT. WHILE STATEMENTS INCLUDED ASSURANCE GOA HAD NO DESIRE TO PROMOTE CARTEL OR "URANIUM OPEC", ANOTHER PART OF ANTHONY'S STATEMENT ALLUDED TO DESIRE FOR MARKETING ON "FAIR AND REASONABLE TERMS" AND THAT GOA DID NOT PLAN TO ALLOW VIOLENT FOREIGN MARKET DEVELOPMENTS TO BE CONTROLLING. (D) ANTI-TRUST ASPECTS - OF SPECIAL IMPORTANCE, ANTHONY COMMENTS ON POSSIBILITY OF MARKETING AUTHORITY STIPULATED THAT NO FINAL DECISION WOULD BE MADE ON ITS CREATION UNTIL THE LEGAL IMPLICATIONS OF FOREIGN ANTI-TRUST LAWS IN THIS RESPECT HAD BEEN FULLY STUDIED BY THE GOVERNMENT. (E) DOMESTIC ECONOMIC SIGNIFICANCE - NOTWITHSTANDING PRIME MINISTER'S STATEMENT MINIMIZING SIGNIFICANCE OF ECONOMIC AND COMMERCIAL BENEFITS IN GOA

DECISION, ANTHONY'S STATEMENT DEALT AT LENGTH WITH BALANCE OF PAYMENTS, GNP AND EMPLOYMENT POTENTIALS OF MINING AND EXPORT, AND ON CONTINGENT BASIS OF LONG-TERM POSSIBILITY OF ENRICHMENT PROJECT. HE REITERATED STATEMENT OF SEVERAL WEEKS AGO THAT TOTAL RESERVES IN NORTHERN TERRITORY MAY BE FIVE TO TEN TIMES AS GREAT AS NOW ESTIMATED. TENTATIVE PREMISE WAS POSSIBILITY OF INITIAL PRODUCTION BY RANGER IN 1981-82 OF 2,000 SHORT TONNES, RISING TO 27,000 SHORT TONNES AUSTRALIA-WIDE BY 1994. HE CITED PRIVATE STUDY SUGGESTING BY 1995 URANIUM WOULD GENERATE 1.3 PERCENT OF GNP WITH GROSS VALUE BY THE YEAR 2,000 OF DOLS A 20 BILLION. ESTIMATED EMPLOYMENT IN DIRECT MINING AND PROCESSING 2,000-2,500 WITH 1,500 ADDITIONAL IN CONTINUING CONSTRUCTION ACTIVITY AND TOTAL EMPLOYMENT IMPACT IN LONG TERM OF APPROXIMATELY LIMITED OFFICIAL USE

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20,000 JOBS. (F) AUSTRALIAN ENRICHMENT PROJECT - ANTHONY STATED GOVERNMENT WILL STUDY FEASIBILITY AND PRESERVE ITS OPTION TO CONSTRUCT ENRICHMENT FACILITIES. HE SPECIFIED THAT ONGOING AUSTRALIA-JAPAN FEASIBILITY STUDY WOULD CONTINUE. (G) SOLAR ENERGY - ANTHONY STATED SOME PORTION OF PUBLIC REVENUE FROM URANIUM MINING WOULD BE ALLOCATED TO MAKE SUBSTANTIAL INCREASE IN SOLAR ENERGY RESEARCH. (H) CANCELLATION OF RANGER CONTRACT - BOTH THE PRIME MINISTER AND ANTHONY PLACED HEAVY AND DETAILED EMPHASIS ON GOVERNMENT'S DECISION NOT TO ACCEPT FOX RECOMMENDATION FOR TERMINATION OF GOA CONTRACT WITH RANGER FOR JOINT FINANCING OF DEVELOPMENTS. WHILE INDICATING GOVERNMENT BASICALLY SYMPATHETIC TO OBJECTIVE OF WITHDRAWING FROM DIRECT PARTICIPATION IN MINING AND EXPORT, BOTH STATEMENTS DWELLED ON GOVERNMENT'S BELIEF THAT CANCELLATION BY LATER GOVERNMENT OF CONTRACT ENTERED INTO BY INDUSTRY IN GOOD FAITH WITH PREVIOUS GOVERNMENT HIGHLY IMPROPER AND FOR THIS REASON CURRENT GOVERNMENT WOULD NOT DISTURB CONTRACT ENTERED INTO BY RANGER WITH PREVIOUS WHITLAM GOVERNMENT. HEAVY UNDERLINING OF THIS POINT HAS OBVIOUS REFERENCE TO RECENT AUSTRALIAN LABOR PARTY THREAT THAT FUTURE LABOR GOVERNMENTS WOULD NOT HONOR URANIUM CONTRACTS ENTERED INTO BY CURRENT COALITION GOVERNMENT.

4. EMBASSY COMMENT: CAREFUL PREPARATIONS FOR TODAY'S ANNOUNCEMENT JUSTIFY PRIME MINISTER'S STATEMENT THAT HIS DECISION HAS BEEN PRECEDED BY THE MOST PAINSTAKING GOVERNMENT STUDY AND CONSIDERATION OF ANY GOA DECISION THIS CENTURY. THE PRESENTATION AND THE SUPPORTING PRESENTATIONS WHICH WILL UNDOUBTEDLY FOLLOW IN THE DEBATE TO COME SHOULD PRESENT A VERY STRONG PUBLIC CASE IN SUPPORT OF THE GOVERNMENT'S DECISION. WHETHER THIS CASE WILL RECEIVE A SUFFICIENTLY OVERWHELMING PUBLIC ACCEPTANCE TO AVERT A LIMITED OFFICIAL USE

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HIGHLY CONTROVERSIAL AND DISRUPTIVE PERIOD OF RESISTANCE
FROM ANTI-URANIUM GROUPS REMAINS TO BE SEEN. IT MAY BE
POSSIBLE TO ASSESS THIS QUESTION AFTER A PERIOD OF
PUBLIC REACTION AND AFTER THE TENOR OF THE PARLIAMENTARY OPPOSITION
RESPONSE BECOMES KNOWN IN DAYS TO COME. EMBASSY WILL POUCH
FULL TEXT OF SIX MINISTERIAL STATEMENTS AND REPORT
FURTHER DEVELOPMENTS AS APPROPRIATE. ALSTON UNQUOTE
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